

#23 w  
Atty. Docket No. 10269/13 3.207

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BOARD OF PATENT APPEALS AND INTERFERENCES

In Re Application of: )  
 )  
Keiser et al. ) Art Unit: 3628  
 )  
Serial No.: 09/465,607 ) Examiner: Clement B. Graham  
 )  
Filed: December 17, 1999 ) Docket No.: 10269/13  
 )  
For: **COMPUTER-IMPLEMENTED** ) Appeal No.: Not yet assigned  
 **SECURITIES TRADING SYSTEM** )  
 **WITH A VIRTUAL SPECIALIST** )  
 **FUNCTION** )

APPEAL BRIEF UNDER 37 C.F.R. §1.192

Mail Stop: Appeal Brief  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

**RECEIVED**  
FEB 24 2004  
**GROUP 3600**

Sir:

This is an appeal from the decision of Examiner Clement B. Graham, Group Art Unit 3628, in the Final Office Action of January 14, 2003, rejecting claims 1-22 in the present application.

**I. REAL PARTY IN INTEREST**

The real party in interest of this application is CFPH, L.L.C., having a business at 135 E. 57th Street, 5th floor, New York, NY 10022.

-02/19/2004 SSITHIB1 00000093 09465607

01 FC:1255  
02 FC:1402

2010.00-OP  
330.00 OP

BRMFS1 466431v1

## **II. RELATED APPEALS AND INTERFERENCES**

A Notice of Appeal was filed on September 30, 2003 in related Application No. 09/382,907, filed on August 25, 1999. An appeal brief has not yet been filed in that related application.

## **III. STATUS OF THE CLAIMS**

Claims 1-22 are pending and stand rejected in the present application. In the final Office Action mailed on January 14, 2003, claims 1-22 were rejected under 35 U.S.C. § 103(a) as being obvious over U.S. Patent No. 5,724,524 to Hunt et al ("Hunt").

Applicants/appellants ("applicants") appeal from the final rejection of claims 1-22. For the reasons set forth herein, applicants respectfully submit that the rejection of claims 1-22 should be overturned by the Board of Patent Appeals.

## **IV. STATUS OF AMENDMENTS**

There have been no amendments to any of the pending claims since the January 14, 2003 final rejection. On May 20, 2003, an interview was held with Examiner Clement B. Graham and Examiner Hyung Sough by attorney for applicants Seth H. Ostrow (Registration No. 37,410). An Interview Summary by Examiner Clement B. Graham was subsequently mailed. On May 28, 2003, applicants filed a response to the final Office Action. That response had not been acted upon by the Patent and Trademark Office before applicants filed their Notice of Appeal on July 14, 2002.

## **V. SUMMARY OF THE INVENTION**

Applicants' invention, as claimed by claims 1-22, is directed to methods and systems for trading derivative financial instruments that represent a movie or movie talent. Each of the independent claims specifically recites "a derivative financial instrument that selectively represents a movie or a movie talent in an entertainment industry, said movie corresponding to a stock and said movie talent corresponding to a bond." Applicants' claims further recite receiving a first order to buy such an instrument, receiving a second order to sell such an instrument, setting a market price based on the received orders, and executing a trade at the set market price. A computer-implemented stock exchange is provided, which may be used for a simulation, a game or a trading system for the claimed instruments.

Trading systems have existed in which conventional derivative financial instruments have been traded. However, such conventional instruments relate to securities or to commodities. For example, the New York Stock Exchange has traded derivative financial instruments relating to securities, and the Chicago Mercantile Exchange has traded derivative financial instruments relating to commodities.

In contrast, applicants' invention is directed to the trading of instruments that represent a movie or movie talent. Such unique instruments have new and different characteristics than the derivative financial instruments in the prior art. For example, these new instruments have a market price that is dependent upon criteria associated with a movie or movie talent, such that an initial price may be based on a movie's potential box office revenue (see, *e.g.*, claims 2 and 11). Other examples include setting the yield for these instruments based on the

popularity of a movie talent (see, *e.g.*, claims 3 and 12) and setting the market price of these instruments to reflect the current production status of a movie (*e.g.*, claims 7 and 16) or expected box office revenue of a movie (*e.g.*, claims 8, 9, 17, and 18). Thus, applicants' invention enables speculation, investment and trading of derivative financial instruments that represent a movie or movie talent, unlike anything in the prior art.

## **VI. ISSUES**

The issue in this appeal is whether the Examiner erred in rejecting claims 1-22 as unpatentable under 35 U.S.C. § 103(a) based on Hunt.

## **VII. GROUPING OF THE CLAIMS**

Applicants divide the rejected claims in four separate groups as follows:

Group 1 – claims 1, 4-10 and 13-19;

Group 2 – claims 2 and 11;

Group 3 – claims 3 and 12; and

Group 4 – claims 20-22.

Each of claims 1-22 was subject to the same rejection in the final Office Action.

In accordance with the requirements of 37 C.F.R. 1.192(c)(7) for consideration of the separate patentability of a plurality of claims subject to the same rejection, applicants submit that each of these Groups of claims do not stand or fall with any other Group of claims, and provide argument below why each of these Groups of claims is separately patentable.

## VIII. ARGUMENT

In the final Office Action dated January 14, 2003, the Examiner rejected claims 1-22 under 35 U.S.C. § 103(a) as being obvious over Hunt. Applicants respectfully traverse this rejection and request that it be overturned for at least the reasons set forth below.

### A. GROUP ONE CLAIMS

The Examiner's argument that the first Group of claims (1, 4-10 and 13-19) is unpatentable as obvious over Hunt is fundamentally flawed because the Examiner has not shown that all of the limitations of the claims of the claims are present in any single reference or in an combination of references. Independent claim 1 recites:

1. A method for trading a plurality of derivative financial instruments over the Internet, comprising:

receiving a first order to buy *a derivative financial instrument that selectively represents a movie or a movie talent in an entertainment industry, said movie corresponding to a stock and said movie talent corresponding to a bond* for trading over the Internet;

receiving a second order to sell said derivative financial instrument;

setting a market price based on the received first and second orders; and

executing a trade at the set market price. (Emphasis supplied).

The emphasized limitation, which also appears in independent claims 10 and 19, is not present in the prior art. Applicants repeatedly advised the Examiner that they were not aware of any prior art that disclose such instruments, and the Examiner failed to supply any reference that disclosed any such instrument. Indeed, the Examiner acknowledged that there is no teaching or suggestion in the art of such instruments in his December 20, 2000 Office Action at page 3:

The prior art taken alone or in combination fails to teach or suggest executing a trade at a set market price for a financial instrument selectively

representing a movie corresponding to a stock and a movie talent corresponding to a bond taken in combination with a computer-readable storage medium for causing a computer to perform a trade over the Internet as recited in independent claim 19.

The Examiner's subsequent reliance on Hunt to reject the claims under 35 U.S.C. § 103(a) fails because Hunt does not teach or suggest such instruments, either. Hunt describes a system for trading derivative instruments that relate to capacity for shipment by trucks, freight cars, etc. Hunt neither teaches nor suggests that a derivative instrument may relate to movies or movie talent. Nor does Hunt teach or suggest any of the properties of such instruments, described above. And Hunt does not teach or suggest any system or method for trading such instruments. As the Examiner previously admitted, no prior art references either alone or in combination teach or suggest the claimed trading of instruments that represent a movie or a movie talent.

The Examiner argues in the final Office Action that, because Hunt includes a data storage and processing function, Hunt would produce the same result as the claimed invention *if* Hunt were used with the claimed instruments. The Examiner's argument fails because there is no teaching in the prior art to make that combination. A determination of obviousness of a claimed invention requires that all of the claim limitations be taught or suggested by the prior art. *WMS Gaming, Inc. v. International Game Technology*, 184 F.3d 1339, 1359, 51 USPQ2d 1385, 1399 (Fed. Cir. 1999). Where, as here, the Examiner fails to establish a *prima facie* case of unpatentability, the applicant is entitled to grant of the patent. *In re Oetiker*, 977 F.2d 1443, 1445, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992). "When obviousness is based on a single prior art reference, there must be a showing of a suggestion or motivation to modify the teachings of that reference." *B.F. Goodrich Co. v. Aircraft Breaking Sys. Corp.* 72 F.3d 1577, 1582, 37 USPQ2d

1314, 1318 (Fed. Cir. 1996). Hunt, the only reference relied upon by the Examiner in making the obviousness rejection, does not provide the required teaching or suggestion of a derivative financial instrument representative of a movie or a movie talent. Nor does anything else in the prior art.

Moreover, even assuming that there were some teaching or suggestion in the prior art of the claimed instruments (there is none), the Examiner fails to provide any motivation to modify the system described in Hunt for carrier space derivatives to be used for trading instruments that represent movies or movie talent. The teaching or suggestion to make the claimed combination must be found in the prior art, not in applicant's disclosure. *In re Vaeck*, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991). The Examiner has not even attempted to make the requisite showing of any motivation to make the claimed combination.

Thus, the Examiner has failed to establish a *prima facie* case of obviousness, and independent claims 1, 10 and 19 (and claims 4-9 and 13-18, which are dependent on those independent claims) are patentable.

**B. GROUP TWO CLAIMS**

The Examiner's argument that the Group Two Claims (2 and 11) are unpatentable as obvious over Hunt fails for at least two reasons.

First, each of these claims is dependent on one of the claims described in connection with Group One (claim 2 is dependent on claim 1, and claim 11 is dependent on claim 10). For this reason alone, each of these claims is patentable for the same reasons discussed above in connection with the Group One Claims.

Second, the Group Two Claims are patentable because they add limitations that are neither taught nor suggested by the prior art. In particular, claim 2 recites:

The method according to claim 1, further comprising setting a price for a new stock offering on the basis of a potential box office revenue for a movie represented by said new stock offering.

and claim 11 recites:

The system according to claim 10, further comprising means for setting a price for a new stock offering on the basis of a potential box office revenue for a movie represented by said new stock offering.

The prior art does not disclose the additional limitation of these dependent claims.

Indeed, the Examiner did not reject these claims for any reasons other than the reasons set forth for independent claims 1 and 10. And the Examiner has not cited any reference – including Hunt – that teaches or suggests the claimed limitation. Moreover, there is no reference that provides any teaching or motivation that Hunt should be combined with another reference to make the claimed invention. Accordingly, the Examiner has not provided the required *prima facie* showing that claims 2 and 11 are obvious, and the improper rejection of claims 2 and 11 should be overturned.

### **C. GROUP THREE CLAIMS**

The Examiner's argument that the Group Three Claims (3 and 12) are unpatentable as obvious over Hunt likewise fails for at least two reasons.

First, each of these claims is dependent on one of the claims described in connection with Group One (claim 3 is dependent on claim 1, and claim 12 is dependent on claim 10). For this reason alone, each of these claims is patentable for the same reasons discussed above in connection with the Group One Claims.



Second, the Group Three Claims are patentable because they add limitations that are neither taught nor suggested by the prior art. In particular, claim 3 recites:

The method according to claim 1, further comprising setting a price for a new bond offering on the basis of a talent's popularity rating in the entertainment industry, such that one bond representing one talent with a low popularity rating is issued with a higher yield than another bond representing another talent with a high popularity rating.

and claim 12 recites:

The method according to claim 1, further comprising setting a price for a new bond offering on the basis of a talent's popularity rating in the entertainment industry, such that one bond representing one talent with a low popularity rating is issued with a higher yield than another bond representing another talent with a high popularity rating.

The prior art does not disclose the additional limitation of these dependent claims. Indeed, the Examiner did not reject these claims for any reasons other than the reasons set forth for independent claims 1 and 10. And the Examiner has not cited any reference – including Hunt – that teaches or suggests the claimed limitation. Moreover, there is no reference that provides any teaching or motivation that Hunt should be combined with another reference to make the claimed invention. Accordingly, the Examiner has not provided the required *prima facie* showing that claims 3 and 12 are obvious, and the improper rejection of claims 3 and 12 should be overturned.

**D. GROUP FOUR CLAIMS**

The Examiner's argument that the Group Four Claims (independent claims 20-22) are unpatentable as obvious over Hunt fails for at least two reasons.

Claim 20 recites the following limitations:

A method for trading a plurality of derivative financial instruments over the Internet, comprising:

receiving a first order to buy a *derivative financial instrument that selectively represents a movie or movie talent in an entertainment industry, said movie corresponding to a stock and said movie talent corresponding to a bond* for trading over the Internet;

receiving a second order to sell said derivative financial instrument;

setting a market price *based at least in part on criteria associated with the movie or the movie talent*; and

executing a trade at the set market price.

(Emphasis supplied). Comparable limitations are found in claims 21 and 22 (see Appendix).

The first emphasized limitation in claim 20 is the same as the limitation in claim 1, discussed above. Thus, each of claims 20-22 is patentable for the same reasons that claim 1 is patentable, namely, that there is no teaching or suggestion in the prior art of this limitation or of making the claimed combination having this limitation. Just as with claim 1, the Examiner has not made a *prima facie* showing that claims 20-22 are obvious.

Nor is the second emphasized limitation taught or suggested by the prior art.

Setting a market price for the instrument based, at least in part, on criteria associated with the movie or movie talent is not disclosed in the prior art. This feature of applicants' invention allows, for example, for setting an initial price of a new stock associated with a movie based on a movie's potential box office revenue or setting the initial yield of a new bond associated with the popularity of a movie talent, which was not provided for in the prior art (see specification at page 11, lines 18-24). Thus, the step of setting the market price based on these criteria is novel, and is not taught or suggested by the prior art. Indeed, the Examiner has not even attempted to indicate any such teaching or motivation in Hunt, or any other reference, that has anything to do with

trading instruments that represent movies or movie talent, let alone the limitations of claims 20-22.

This provides yet another reason why the Examiner has failed to make the required *prima facie* showing that claims 20-22 are obvious. Thus, even if claims 1-19 were obvious – and they are not – claims 20-22 would nonetheless be patentable based on the additional claimed feature of setting a market price based at least in part on criteria associated with the movie or the movie talent.

For at least the above reasons, none of the prior art of record, alone or in combination, teaches or suggests the invention as set forth in claims 20-22, and the improper rejection of claims 20-22 should be overturned.

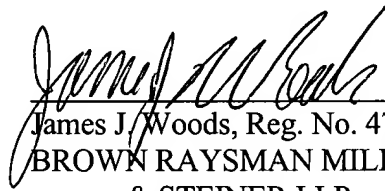
## **IX. CONCLUSION**

In view of the foregoing, it is believed that all pending claims 1-22 are in proper condition for allowance, and the Board is respectfully requested to overturn the Examiner's rejection of these claims.

The Commissioner is hereby authorized to charge the Appeal Brief filing fee of \$330.00 and the two month extension of time fee of \$420.00, as well as any additional fees which may be required or credit any overpayment, to the undersigned attorney's Deposit Account No. 02-4270.

Respectfully submitted,

Dated: 2/11/04

  
James J. Woods, Reg. No. 47,184  
BROWN RAYSMAN MILLSTEIN FELDER  
& STEINER LLP  
900 Third Avenue  
New York, New York 10022  
(212) 895-2000

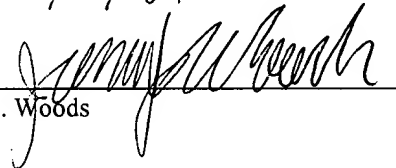
**CERTIFICATE OF MAILING**

I hereby certify that this correspondence is being deposited with the U.S. Postal Service as first class mail in an envelope addressed to:

Commissioner for Patents

Mail Stop Appeal Brief, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450

on 2/11/04

  
James J. Woods

**X. APPENDIX**

**Claims Currently Pending**

1. A method for trading a plurality of derivative financial instruments over the Internet, comprising:

receiving a first order to buy a derivative financial instrument that selectively represents a movie or a movie talent in an entertainment industry, said movie corresponding to a stock and said movie talent corresponding to a bond for trading over the Internet;

receiving a second order to sell said derivative financial instrument;

setting a market price based on the received first and second orders; and

executing a trade at the set market price.

2. The method according to claim 1, further comprising setting a price for a new stock offering on the basis of a potential box office revenue for a movie represented by said new stock offering.

3. The method according to claim 1, further comprising setting a price for a new bond offering on the basis of a talent's popularity rating in the entertainment industry, such that one bond representing one talent with a low popularity rating is issued with a higher yield than another bond representing another talent with a high popularity rating.

4. The method according to claim 1, wherein the set market price is represented by electronic currency.

5. The method according to claim 4, further comprising debiting a first account controlled by a first trader who issued said first order in the electronic currency for the executed trade, and crediting a second account controlled by a second trader who issued said second order with proceeds in the electronic currency for the executed trade.

6. The method according to claim 5, wherein the electronic currency is Hollywood dollars.

7. The method according to claim 1, wherein the set market price reflects a current production status of said movie.

8. The method according to claim 1, wherein the set market price is indicative of the traders' interest in said movie such that a potential box office revenue for said movie may be predicted far in advance of the movie release.

9. The method according to claim 1, wherein the set market price is indicative of the traders' interest in said talent such that a potential box office revenue for said movie may be predicted far in advance of the movie release.

10. A system for trading a plurality of derivative financial instruments over the Internet, comprising:

means for receiving a first order to buy a derivative financial instrument that selectively represents a movie or a movie talent in an entertainment industry, said movie corresponding to a stock and said movie talent corresponding to a bond for trading over the Internet;

means for receiving a second order to sell said derivative financial instrument;

means for setting a market price based on the received first and second orders;

and

means for executing a trade at the set market price.

11. The system according to claim 10, further comprising means for setting a price for a new stock offering on the basis of a potential box office revenue for a movie represented by said new stock offering.

12. The system according to claim 10, further comprising means for setting a price for a new bond offering on the basis of a talent's popularity rating in the entertainment industry, such that one bond representing one talent with a low popularity rating is issued with a higher yield than another bond representing another talent with a high popularity rating.

13. The system according to claim 10, wherein the set market price is represented by electronic currency.

14. The system according to claim 13, further comprising means for debiting a first account controlled by a first trader who issued said first order in the electronic currency for the executed trade, and means for crediting a second account controlled by a second trader who issued said second order with proceeds in the electronic currency for the executed trade.

15. The system according to claim 14, wherein the electronic currency is Hollywood dollars.

16. The system according to claim 10, wherein the set market price reflects a current production status of said movie.

17. The system according to claim 10, wherein the set market price is indicative of the traders' interest in said movie such that a potential box office revenue for said movie may be predicted far in advance of the movie release.

18. The system according to claim 10, wherein the set market price is indicative of the traders' interest in said talent such that a potential box office revenue for said movie may be predicted far in advance of the movie release.

19. A computer-readable storage medium for storing program code means for, when executed, causing a computer to perform a method for trading a plurality of derivative financial instruments over the Internet, the method comprising:



receiving a first order to buy a derivative financial instrument that selectively represents a movie or a movie talent in an entertainment industry, said movie corresponding to a stock and said movie talent corresponding to a bond for trading over the Internet;

receiving a second order to sell said derivative financial instrument;

setting a market price based on the received first and second orders; and

executing a trade at the set market price.

20. A method for trading a plurality of derivative financial instruments over the Internet, comprising:

receiving a first order to buy a derivative financial instrument that selectively represents a movie or movie talent in an entertainment industry, said movie corresponding to a stock and said movie talent corresponding to a bond for trading over the Internet;

receiving a second order to sell said derivative financial instrument;

setting a market price based at least in part on criteria associated with the movie or the movie talent; and

executing a trade at the set market price.

21. A system for trading a plurality of derivative financial instruments over the Internet, comprising:

means for receiving a first order to buy a derivative financial instrument that selectively represents a movie or movie talent in an entertainment industry, said movie

corresponding to a stock and said movie talent corresponding to a bond for trading over the Internet;

means for receiving a second order to sell said derivative financial instrument;

means for setting a market price based at least in part on criteria associated with the movie or the movie talent; and

means for executing a trade at the set market price.

22. A computer-readable storage medium for storing program code means for, when executed, causing a computer to perform a method for trading a plurality of derivative financial instruments over the Internet, comprising:

receiving a first order to buy a derivative financial instrument that selectively represents a movie or movie talent in an entertainment industry, said movie corresponding to a stock and said movie talent corresponding to a bond for trading over the Internet;

receiving a second order to sell said derivative financial instrument;

setting a market price based at least in part on criteria associated with the movie or the movie talent; and

executing a trade at the set market price.